HOUSING MARKET INFORMATION

HOUSING NOW

Canada

Canada Mortgage and Housing Corporation

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Canadian Market Overview.

New Home Market

Housing starts moderate in December

The seasonally adjusted annual rate[1] of housing starts was 172,200 units in December, down marginally from 172,900 units in November.

At 211,056 units, housing starts in 2008 breached the 200,000 unit mark for a seventh consecutive year.

Pent-up housing demand which built up over the 1990s enabled Canadian housing starts to exceed long run demographic demand for the majority of this

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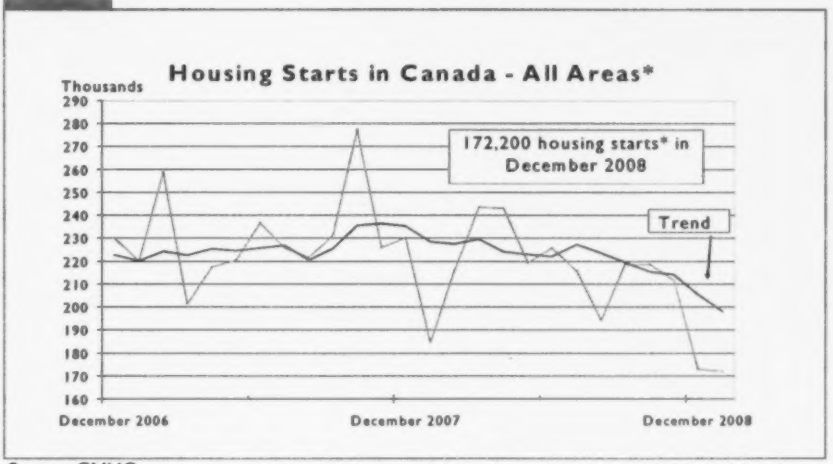
Figure 1



Source: CMHC

* Seasonally adjusted at annual rates
Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

[1] All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

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decade. This excess demand has gradually decreased and CMHC expects construction levels in 2009 to be more aligned with long run demographic demand.

Urban starts trend lower in December

The seasonally adjusted annual rate of urban starts decreased 0.5 per cent to 150,100 units in December. Urban multiple starts increased 3.2 per cent to 87,400 units, while urban single starts eased 5.1 per cent to 62,700 units in December.

Urban starts moderate in three regions

December's seasonally adjusted annual rate of urban starts moderated in three of the five regions in Canada. Urban starts declined 12.6 per cent to 36,700 units in Quebec, 6.3 per cent to 25,100 units in the Prairies, and 3.6 per cent to 8,100 units in the Atlantic Region. British Columbia urban starts rose 9.9 per cent to 19,900 units and Ontario urban starts climbed 8.6 per cent to 60,300 units.

Rural starts were estimated at a seasonally adjusted annual rate of 22,100 units in December.

Year-to-date actual starts decreased in December

Actual starts in rural and urban areas combined moderated by 7.6 per cent in 2008 compared to 2007. Annual actual starts in urban areas decreased by an estimated 3.3 per cent compared to 2007. Actual urban single starts for 2008 were 18.1 per cent lower than they were a year earlier while urban multiple starts were up by 9.8 per cent over the same period.

Growth in new house prices moderates again in November

The New Housing Price Index (NHPI) increased by 0.7 per cent in November 2008 compared to the previous year. November marks the smallest annual increase in the NHPI since August 1999.

In November 2008, year-over-year double digit increases in the NHPI were limited to St John's (25.6 per cent) and Regina (21.7 per cent). Significant 12-month declines were recorded in Edmonton (-7.9 per cent) and Calgary (-2.5 per cent).

Existing Home Market

MLS®[1] sales decreased in December

Seasonally adjusted MLS®[1] (Multiple Listing Service®) sales decreased by 1.8 per cent to 27,357 units in December 2008, compared to 27,850 units in November 2008.

In 2008, actual MLS® sales were down 17.1 per cent to 433,990 units compared to 2007.

MLS® new listings decreased in December

Seasonally adjusted MLS® new listings in December 2008 decreased by 3.0 per cent to 72,931 units, compared to 75,194 units in the previous month.

Actual new listings for 2008 were up 7.7 per cent compared to 2007.

Sales-to-new-listings ratio declines in December

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio[2]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

[1]Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

[2]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new- listings ratio is between these thresholds, the market is said to be balanced.

Canada's existing home market has been in sellers' territory throughout most of this decade. Lately, a declining sales-to-new-listings ratio and slowing price growth indicate existing home markets have become more balanced. In Canada, the seasonally adjusted sales-to-new-listings ratio was 38 per cent in December 2008, remaining close to the level recorded in November and drifting towards a buyers' market.

The December seasonally adjusted average MLS® price in Canada was down 3.3 per cent to $283,338 compared to November 2008, while the unadjusted MLS® average price was down 11.0 per cent in December 2008 compared to a year ago.

Economic conditions

Across the country, employment decreased by 34,000 jobs last December, lowering Canada's employment rate to 63.1 per cent from 63.3 per cent in November. The labour force moved higher in December by 12,700 people, which resulted in Canada's unemployment rate rising to 6.6 per cent.

Month-over-month seasonally adjusted employment decreased in nine provinces out of ten between November and December. Only Ontario recorded a stability in employment to close the year 2008.

For the 12-month period ending in December 2008, seasonally adjusted employment in Canada expanded by 0.6 per cent (98,300 jobs). Most of the growth was recorded in part-time employment (2.9 per cent) while full time employment posted a more modest increase (0.1 per cent).

The Bank of Canada, like other major central banks, has cut its policy interest rates. On January 20th, Bank of Canada lowered the overnight rate target by one-half of a percentage point to 1 per cent. The outlook for the global economy is uncertain and stabilization of the global financial system is a precondition for economic recovery.

The Consumer Price Index (CPI) increased by 1.2 per cent in December 2008 compared to the same month in 2007, a slight decrease from the 2.0 per cent increase recorded for the 12-month period ending in November 2008. It's the smallest increase since January 2007 and was mainly due to a decline in gasoline prices.

Figure 2

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

Overview: Rental Affordability Indicators across Canada

CMHC's rental affordability indicator[1], released for 25 out of the 35 major centres[2], is a measure of how affordable a rental market is for those households which rent within a specific market. An indicator value of 100 indicates that 30 per cent of the median income of renter households is necessary to rent a two-bedroom apartment going at the median rental rate. When the affordability indicator is below 100, it indicates that more than 30 per cent of income is necessary to rent a two-bedroom apartment, while a value above 100 indicates that less than 30 per cent of income is necessary to rent a two-bedroom apartment. Accordingly, as the indicator increases, the market becomes more affordable; as the indicator declines, the market becomes less affordable.

The rental affordability indicator can be used to examine changes in affordability in a rental market over time and compare how renters in different cities fare[3]. However, it cannot be used to judge whether or not a rental market is affordable since the indicator does not take into account the distribution of income and rent levels in the analysis, and does not examine the cost impact of renting larger or smaller units.

Looking at the indicator historically, affordability has varied across all 25 centres. Most recently, movements of the affordability indicator were balanced. In 2008, 12 centres saw a decline in their rental affordability indicator, twelve other centres posted an increase and one centre, Edmonton, saw no change.

In 2008, Montreal and Quebec had the highest rental affordability indicator, replacing Saint John which had the highest indicator from 1999 to 2007. Income growth of rental households in both Montreal

Rental Affordability Indicator

Year	2005	2006	2007E*	2008E*
Greater Sudbury	80	86	87	74
St. John's	94	89	90	83
Thunder Bay	99	101	96	88
Toronto	91	89	91	90
Saskatoon	119	118	110	92
Victoria	86	99	96	92
Regina	105	105	103	93
Windsor	70	76	86	93
Vancouver	103	99	97	95
Ottawa	94	94	97	98
St. Catharines-Niagara	106	101	104	102
Calgary	116	112	101	103
Winnipeg	106	104	103	105
Kitchener	107	105	101	108
Oshawa	96	102	106	108
Hamilton	92	107	113	115
Halifax	113	112	113	115
Edmonton	128	127	116	116
London	91	102	117	119
Saguenay	130	127	128	121
Gatineau	117	118	118	122
Saint John	150	144	139	126
Sherbrooke	148	141	133	128
Montreal	138	132	133	135
Quebec	123	126	126	135

* E: Estimate

[1] For an in-depth explanation of the rental affordability indicator refer to Housing Now – Canada, October 2007 edition.
[2] A rental affordability indicator was not produced for Trois Rivières, Moncton, Barrie, Guelph, Brantford, Peterborough, Kelowna, Abbotsford, and Kingston due to insufficient or unstable data.
[3] Median two-bedroom rents used in the calculation of the rental affordability indicator are based on actual amounts tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, hot water, and appliances. When comparing affordability across centres, it is important to note that in some centres the inclusion of utilities and appliances in the rent is more common than in others.

and Quebec surpassed the growth of the median rent, resulting in an increase in the indicator. On the other hand, a slight decline in the median income of renter households, coupled with an increase in the median rent for a two-bedroom apartment led to a decline for the Saint John indicator. Despite this decline, Saint John's rental affordability indicator was fourth highest among the 25 major centres in 2008.

Saguenay and Sherbrooke also had high rental affordability indicators. In fact, all CMAs in Quebec were among the top 10 centres that registered a high rental affordability indicator in 2008. Lower median rent levels and stable or rising incomes have helped support the high levels of affordability across Quebec. Last year, the Quebec CMA saw the largest gain in its affordability indicator rising from 126 to 135.

Rental affordability was the lowest in Greater Sudbury with an indicator of 74 in 2008. Greater Sudbury had the lowest indicator of all CMAs examined in three of the last 12 years and has remained in the bottom ten since 2002.

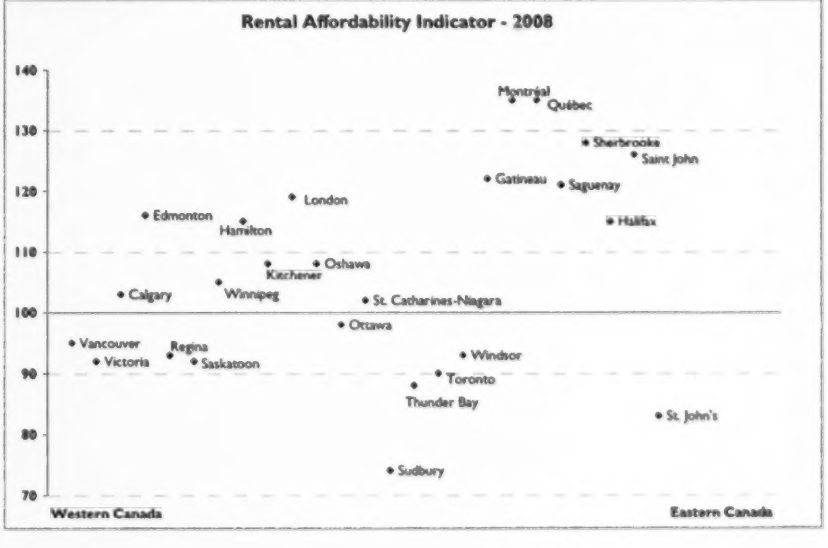
Saskatoon saw the largest change in its rental affordability indicator which fell from 110 to 92. Although the three-year moving average of median income of renter households grew 5.7 per cent, the median rent of a two-bedroom apartment jumped 13.6 per cent. The indicator in Saskatoon has fallen in each of the last five years. Regina also saw a decline, with the indicator down to 93 from 103 in 2007.

Rental affordability in Toronto has been the most stable among all CMAs examined. The indicator fell to 90 in 2008, after increasing to 91 in 2007. Indeed, in each year from 1997 to 2008 the rental affordability indicator was between 89 and 96. Elsewhere in Ontario, the rental affordability indicators have experienced larger fluctuations. London has seen some of the largest movements in its indicator, ranging from a low of 84 in 2001 to a high of 119 in 2008. The rental affordability indicator for all other Ontario CMAs has also varied. All of these CMAs, with the exception of Ottawa and Toronto, have seen at least a 20 point spread between the highest and lowest value of their rental affordability indicators over the past 12 years.

In BC, both Vancouver and Victoria saw declines in their rental affordability indicator. In both cases, the median rent for a two-bedroom apartment grew at a faster clip than the median income for renter households, resulting in small declines in their indicators. The rental affordability indicator for Victoria has been lower than the Vancouver indicator since 2002. In 2008 Victoria's indicator stood at 92 whereas the Vancouver indicator was 95.

CMHC's fall Rental Market Reports provide a more detailed analysis of rental trends in the respective centres. Each report includes further analysis of the rental affordability indicator for the corresponding centre. These reports can be found on CMHC's website.

Figure 3



This Month's Housing Data (SAAR)

	2007	Q2: 08	Q3: 08	Q4: 08	M10: 08	M11: 08	M12: 08
Housing starts, units, 000s							
Canada. Total. All areas	228.3	217.6	207.7	184.9	209.4	172.9	172.2
Per cent change from previous period	0.4	-7.4	-4.5	-11.0	-1.9	-17.4	-0.4
Canada. Total. Rural areas	34.6	24.8	26.3	22.1	22.1	22.1	22.1
Per cent change from previous period	6.9	25.9	6.0	-16.0	-16.0	0.0	0.0
Canada. Total. Urban areas	193.7	192.8	181.4	162.8	187.3	150.8	150.1
Per cent change from previous period	-0.7	-10.5	-5.9	-10.3	0.1	-19.5	-0.5
Canada. Single. Urban areas	90.9	76.9	72.8	66.9	72.0	66.1	62.7
Per cent change from previous period	-3.5	-7.7	-5.3	-8.1	4.3	-8.2	-5.1
Canada. Multiple. Urban areas	102.9	115.9	108.6	95.9	115.3	84.7	87.4
Per cent change from previous period	2.0	-12.3	-6.3	-11.7	-2.5	-26.5	3.2
Newfoundland. Total. All areas	2.6	3.0	3.4	3.6	3.6	3.3	4.0
Per cent change from previous period	18.6	7.1	13.3	5.9	5.9	-8.3	21.2
Prince Edward Island. Total. All areas	0.8	0.7	0.6	0.7	0.6	0.8	0.9
Per cent change from previous period	1.6	0.0	-14.3	16.7	20.0	33.3	12.5
Nova Scotia. Total. All areas	4.8	3.7	4.1	3.4	4.0	3.2	3.0
Per cent change from previous period	-3.0	-36.2	10.8	-17.1	-9.1	-20.0	-6.3
New Brunswick. Total. All areas	4.2	4.5	4.1	4.0	4.9	3.9	3.0
Per cent change from previous period	3.8	9.8	-8.9	-2.4	11.4	-20.4	-23.1
Quebec. Total. All areas	48.6	47.7	47.6	47.7	49.6	49.3	44.0
Per cent change from previous period	1.4	-2.3	-0.2	0.2	6.7	-0.6	-10.8
Ontario. Total. All areas	68.1	78.8	74.8	67.8	81.8	58.3	63.1
Per cent change from previous period	-7.2	-2.6	-5.1	-9.4	0.4	-28.7	8.2
Manitoba. Total. All areas	5.7	5.8	5.4	5.8	5.4	5.7	6.4
Per cent change from previous period	14.1	9.4	-6.9	7.4	1.9	5.6	12.3
Saskatchewan. Total. All areas	6.0	7.9	7.2	5.3	4.6	6.6	4.7
Per cent change from previous period	61.7	19.7	-8.9	-26.4	-36.1	43.5	-28.8
Alberta. Total. All areas	48.3	28.4	25.2	21.9	25.2	20.5	20.0
Per cent change from previous period	-1.3	-29.4	-11.3	-13.1	4.6	-18.7	-2.4
British Columbia. Total. All areas	39.2	37.1	35.3	24.7	29.7	21.3	23.1
Per cent change from previous period	7.6	-7.0	-4.9	-30.0	-18.0	-28.3	8.5

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2007	Q2: 08	Q3: 08	Q4: 08	M10: 08	M11: 08	M12: 08
Canada. Total. Urban areas	193.7	192.8	181.4	162.8	187.3	150.8	150.1
Newfoundland. Total. Urban areas	1.8	1.9	2.4	2.5	2.5	2.2	2.9
Prince Edward Island. Total. Urban areas	0.5	0.5	0.4	0.6	0.5	0.7	0.8
Nova Scotia. Total. Urban areas	3.3	3.2	3.3	2.9	3.5	2.7	2.5
New Brunswick. Total. Urban areas	3.0	3.3	3.0	2.9	3.8	2.8	1.9
Quebec. Total. Urban areas	40.9	41.7	40.4	40.4	42.3	42.0	36.7
Ontario. Total. Urban areas	62.8	75.2	71.3	65.0	79.0	55.5	60.3
Manitoba. Total. Urban areas	3.8	4.1	3.7	4.4	4.0	4.3	5.0
Saskatchewan. Total. Urban areas	4.8	5.5	4.6	3.5	2.8	4.8	2.9
Alberta. Total. Urban areas	38.5	24.0	21.2	19.1	22.4	17.7	17.2
British Columbia. Total. Urban areas	34.4	33.4	31.1	21.5	26.5	18.1	19.9

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2007	Q2: 08	Q3: 08	Q4: 08	M10: 08	M11: 08	M12: 08
New Housing							
New & unoccupied singles & semis, units 000s	6.0	7.3	7.6	8.5	8.3	8.7	8.6
Per cent change from same period previous year	16.1	19.9	38.4	37.9	37.7	40.3	35.8
New & unoccupied row & apartments, units 000s	8.6	8.9	9.1	10.6	10.0	10.4	11.2
Per cent change from same period previous year	3.0	12.3	4.6	15.4	9.1	17.3	19.9
New House Price Index, 1997=100	153.0	158.4	158.6	n.a.	158.1	157.6	n.a.
Per cent change from same period previous year	7.7	4.3	2.3	n.a.	1.5	0.7	n.a.
Existing Housing							
MLS® resales*, units 000s	523.9	461.9	446.7	347.5	380.1	334.2	328.3
Per cent change from same period previous year	7.8	-13.5	-12.7	-32.5	-25.4	-36.3	-35.6
MLS® average resale price, $C 000s**	305.8	310.9	298.8	287.8	286.9	293.0	283.3
Per cent change from same period previous year	10.8	2.1	-3.4	-9.8	-9.6	-6.9	-12.9
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	6.90	6.68	6.75	6.10	6.35	6.35	5.60
Posted 5-Year Mortgage Rate, % (period average)	7.07	6.93	6.95	7.05	7.20	7.20	6.75

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.
n.a. Figures not available
* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).
** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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